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A small Norwegian dairy farm overlooking one of the country's spectacular fiords.

Major Shifts Underway In U.S. Agricultural Exports to India

By John B. Parker, Jr.

U.S. farm sales to India this year may decline by a third from the record \$776 million shipped in fiscal 1976, with larger exports of soy oil and cotton helping to compensate for India's sharply reduced grain imports.

Following its surprising change from a concessional outlet for U.S. farm products in the 1960's to a leading cash market last year, India is making yet another dramatic trade shift.

This time, the country is going from large imports of U.S. foodgrains to imports of U.S. vegetable oils and cotton in response to good domestic grain crops but reduced outturns of peanuts and cotton. It also is stepping up imports of U.S. tallow, hides and skins, and tobacco, as processing of agricultural products accelerates and is buying more "semiluxury" foods as India's affluent minority demands more high-quality foods.

In dollar terms, U.S. farm sales to India this fiscal year (October-September) will be down about a third from the record \$776 million achieved in fiscal 1976 (July-June). This amounts to roughly a third of India's expected total agricultural imports in 1977, compared with over half last year. But the decline could easily have

been much greater, since grain has accounted for 75-100 percent of U.S. farm exports to India in past years.

Should this move toward a wider variety of farm imports continue, and India return to the grain market after drawing down its currently large grain reserves, U.S. farm sales to India could move on to new highs in the near future. Such a possibility is bolstered by the country's currently strong foreign exchange position.

Already, India is a major success story in its transition from an outlet for U.S. grains exported under the Public Law 480 program to an unexpectedly large cash market.

The change began in 1973, when crop problems and depletion of vital grain reserves compelled India to make its first big cash purchase of U.S. wheat in over a decade. That purchase boosted U.S. commercial agricultural exports to India to \$278 million in 1973, from an average of only \$16 million during the 1960's.

Further large sales of U.S. wheat for cash—\$500 million worth in 1976—lifted cash exports of U.S. farm

products to India to a record \$611 million by 1976. India, in turn, became the seventh largest U.S. farm market last year, the 10th largest cash market, and the leading foreign buyer of U.S. wheat.

The country has since waned as an outlet for U.S. wheat, rice, and sorghum in the wake of the buildup of a 22-million-ton grain reserve (see article on page 4). By the first 10 months of fiscal 1977, wheat's share of U.S. farm exports to India had sunk to 17.3 percent of \$386.3 million from 77.8 percent of the \$776 million shipped in all of 1975/76. And wheat shipments since then have dwindled to a trickle of exports through international relief programs.

In contrast, India's imports of vegetable oils and cotton have skyrocketed following 1976/77 crop shortfalls of 400,000 bales for cotton and 1.2 million tons for peanuts. Sizable percentages of these imports are coming from the United States.

India's total imports of vegetable oils this year are likely to exceed 700,000 tons, compared with only 200,000 in 1976 and 29,000 in 1975. During the first 10 months of fiscal 1977, the United States shipped 245,000 tons of soybean oil valued at \$142 million to India, and further exports are expected. The United States also recently sold 10,000 tons of peanut oil to India, but the major sources of imported vegetable oils for India will be soybean oil, palm oil, and rapeseed oil.

Despite these record imports, India's shortage of vegetable oil continues. Manufacturers of shortening (called *vanispati* in India) have only about 1 month's supply of imported vegetable oil in stock, and domes-

tic prices for peanut oil are hovering near \$1,000 per ton, compared with \$700-\$800 on the world market. As long as this tight situation continues, India will be in the market for imported vegetable oils.

U.S. cotton exports to India have followed a similar route in response to the country's crop decline last year. Exports of U.S. cotton there have already reached 280,000 bales valued at more than \$105 million in the first 10 months of fiscal 1977. India's 1977/78 cotton imports are estimated at 1.4 million bales, of which one-third might come from the United States.

However, the extent of further trade will depend partly on results from the country's 1977/78 (August-July) cotton crop, since India normally produces over 80 percent of the cotton used in its mills.

India's cotton area this year is believed to be larger than that of 1976/77, and excellent rainfall in July indicated that a larger crop might be available this season. However, the critical period in September and October, when moderate, well-spaced monsoon rains are vital, still must be surmounted.

India's total imports of cotton during the 1976/77 marketing year were about 1.2 million bales, compared with 200,000 in 1975/76, with large gains in deliveries from Latin America, the Sudan and other African countries, as well as from the United States.

Meanwhile, a boom in soap output by small factories and cottage industries has contributed to a rebound in demand for imported tallow. After falling from a peak of 152,000 tons valued at \$31 million in 1971 to 14,000 worth \$5 million in 1976, U.S. tallow sales to India this year are

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Clockwise from top: Threshing Indian rice in the traditional way; unloading freshly picked Indian cotton; and winnowing rice at Ladwa grain market in the State of Haryana. Normally, India is a large grain importer while a fluctuating importer of cotton, but record grain stocks and a reduced cotton crop last year have led to cessation of grain imports alongside greatly increased cotton imports. This, in turn, has resulted in dramatic changes in the commodity makeup of U.S. farm exports to India.

expected to triple the 1976 level.

In addition, Indian imports of cashew nuts from Mozambique have declined drastically, disrupting the cashew shelling operations in Kerala State. As a result, India may be interested in importing almonds and pecans in the shell for further processing as a means of employing Kerala's unemployed cashew workers. The sagging exports of cashew kernels could be supplemented by larger exports of mixed nuts through the use of almonds and pecans shelled in Kerala. In addition, the pecan shells could be

used in India for fuel and for manufacture of cardboard.

Prospects for expanding U.S. sales to India also are encouraging for pulses and raisins.

India's emergence as a cash market for U.S. farm products has come as a surprise to most India watchers, who in the early 1970's saw the country confronted with two overwhelming problems. The first problem was a persistently large demand for imported foodgrains as a result of widely fluctuating crop results. The second was the quadrupling of petroleum prices in 1973, and consequent speculation by

many observers that India—then importing 64 percent of its petroleum needs—would be one of the countries most seriously affected.

While higher prices for petroleum did lead to increased prices for fertilizer and gasoline, they also precipitated several changes that appear to have vitalized the Indian economy.

For one thing, India moved quickly to tap petroleum reserves on its western coast and in Assam. New discoveries there have allowed India to cover most of the annual growth in its petroleum needs from domes-

tic sources, which now account for about two-fifths of the country's total petroleum consumption. India also hopes to double the extraction of petroleum from known reserves in the next 4 years, which will reduce the country's petroleum imports and thus avoid the dangers of rising world prices.

Concurrently, other changes have helped to bring dramatic improvements in India's foreign exchange position.

Bilateral and multilateral financial assistance was stepped up following the petroleum price increase, with the Organization of Petroleum Exporting Countries (OPEC) among those lending assistance.

India is now earning over \$1.5 billion annually from construction contracts and remittances of workers in Middle Eastern countries, with more of these earnings sent back home as a result of liberalization of the country's banking regulations. Sizable amounts of the payments received by Indian firms and workers end up in India's large nationalized banks because of the recent flexible policies designed to attract these funds.

And India is enjoying export booms for sugar, tea, coffee, potatoes, onions, and other products.

As a result, India's foreign exchange reserves increased from only \$1.4 billion in January 1976 to \$4.5 billion in June 1977.

These reserves could be boosted still further because of India's expansion in exports of steel, iron ore, textiles, and farm products and its even greater involvement in providing technology and laborers to Middle Eastern countries. In fact, the International Monetary Fund expects reserves in the last half of 1977 to rise by about

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Mounting Stocks Halt Indian Grain Imports

Good crops and heavy imports of grain in the past few years have boosted India's grain stocks to a record 22 million metric tons. As a result, India has temporarily withdrawn from the grain import market and may export some of its own surplus grain to neighboring countries and the USSR.

As Western nations stagger under the biggest wheat surplus in years, one of their traditional markets, India, has virtually halted grain imports and piled up record grain stocks of its own. The combination of bumper crops for the past 2 years and an unprecedented stockbuilding effort, in fact, has left India with more than twice its previous record grain reserves, according to Ivan E. Johnson, U.S. Agricultural Attaché, New Delhi, in an interview with *Foreign Agriculture*.

According to Johnson, the record grain crop was achieved in 1975/76 (July-June). That year, the June-September monsoon season brought plentiful and well-timed rains—crucial in India, where variances in the monsoon can spell the difference between crop records and disasters. Rainfall during the spring of 1976 also was favorable, with the result that foodgrain production in 1975/76 rose to a

By Beverly Horsley, Associate Editor, *Foreign Agriculture*.

new high of 120.8 million metric tons.

Last year, India again had a favorable summer monsoon and fairly good winter rains, as well, so that foodgrain production during 1976/77 totaled around 108-111 million tons—the second best on record.

India's abundant stocks derive in part from these bumper grain crops. But they also trace back to the massive imports that followed insufficient foodgrain outturns in 1973/74 and 1974/75.

In addition, India by 1975 was enjoying an unusually good trade position that permitted large commercial purchases of grain, as opposed to the concessional imports it depended on in previous years.

Sugar exports, for instance, earned an unprecedented \$563 million for India in 1975 as the country capitalized on high world prices and a good domestic sugarcane crop. Other agricultural exports also rose, as did sales of cotton textiles and other manufactured and semimanufac-

tured goods, helping to offset rising costs for the country's grain and petroleum imports.

At the same time, many of India's requirements were being met with institutional credits received through the World Bank; the International Monetary Fund; Organization of Petroleum Exporting Countries (OPEC); and bilateral assistance from such sources as the United States, Canada, Australia, and the European Community. And hundreds of thousands of dollars flowed in after a law passed in June 1975 allowed Indians living abroad to remit foreign exchange to bank accounts in India with a guarantee that the rupees could be reconverted into hard currency in the future.

These factors in concert resulted in heavy Indian grain imports during 1973-1976. "During the last 3 years, they imported around 18-20 million tons of grain," said Johnson. Together with the 2 good production years, the imports "enabled India to build up foodgrain reserves from something like 2.5 million tons in 1974 to around 22 million currently, of which at least two-thirds is wheat."

Stocks now total more than two times the previous record level 9-9.5 million tons in 1971, which was also a year of bumper grain harvests.

"If we were looking at a normal offtake of Government-owned stocks, today's reserves would last about 2 years," said Johnson. "But because current drawdown isn't that heavy, stocks could last longer . . . even assuming no replenishment of these reserves."

The Government uses its stocks in the national food distribution system, comprising some 240,000 ration shops that are privately owned and operated. "Such

shops receive grains from the Government at an issue price and then are allowed to sell it to ration cardholders at a slight increment that will cover operating costs and allow a small profit," said Johnson. "But because the grains are in relative abundance, with the free market price at or near the ration shop price, off-take through these shops has been far below normal."

Moreover, free market prices for grain have been hovering around Government support levels, with the result that more grain than usual is moving into Government hands.

These factors—the increased Government buying of grain, the sluggish sales by ration shops, and large-scale imports from 1974 through 1976—have been responsible for the foodgrain stock accumulation.

Indeed, storing of grain has become a problem to India, prompting the country to request from the World Bank some \$200 million for storage facilities that could handle 4 million more tons. Johnson says that some 15 million tons currently are under permanent storage and another 6-7 million are in "cap storage," which is bagged grain under tarps and polyethylene.

"My impression is that they have generally reacted quickly and done a pretty good job of storing the grain," said Johnson. "But, of course, the longer they hold onto it, the greater the risk of deterioration."

The Government would like to reduce stocks to around 10-12 million tons, and has withdrawn from the grain import market for at least this year and quite likely next year as well. In contrast, India in 1976 imported 6.5 million tons of grain valued at \$937 million, with 5 million tons from the United States.

India also is contemplating exporting grain to neighboring countries and the USSR—in the latter case, to repay the remainder of the 2 million tons received from the USSR in 1973. That grain receipt was to be repaid over a 5-year period at 400,000 tons a year beginning last August.

Initially, repayment with grain was inhibited by limited domestic supplies. But now the country is in a position to ship wheat to the Soviets and reportedly has arranged to repay part of the loan with soft wheat from its reserve stocks.

Getting additional foodgrain into the diets of the poor in India has been a more difficult problem. "Since the Indians are said to spend about 60 percent of their income on food, and since earning capacity generally hasn't improved, they have not expanded their per capita consumption of grains," explained Johnson.

He also said that the Government is reluctant to disperse its stocks through work projects or mass-feeding programs, as opposed to the rationshop conduit, because that would represent a loss on its investment in the stocks. The Government, he said, purchases wheat at 1.10 rupees per kilogram and then sells it at 1.15 rupees. This does not completely offset the cost of storage and handling, so even here there is a small loss. But distribution through a development project or other means would represent an outright subsidy and a loss of investment to the Government.

"If earning capacity or purchasing power were to rise substantially, the Indian population could quickly dissipate these reserves by merely increasing its consumption," Johnson said. But he does not see such a change taking place any

time in the near future.

Concerning India's future ability to feed itself, Johnson is guardedly optimistic. "They are fairly well off for the near term, given their comfortable foreign exchange reserves, extensive bilateral and multilateral assistance, and their large grain reserves," he said. "But for the long term, the rapid population growth—13 million more people each year—will continue to haunt them . . . and, of course, there is the fact that crops in India remain heavily dependent on the monsoon and rainfall distribution."

On the other hand, emphasis on expanding production of a variety of cash crops—sugar, coffee, tobacco, tea, jute, to name a few—should help India avoid the wide fluctuations of past years in export earnings from agriculture.

Additionally, increases in irrigation could help boost yields and lessen the dependence on monsoon rains. Fisheries programs could be further developed. The country's stepped-up exploration for petroleum may lessen its dependence on petroleum imports in coming years. And there is the possibility of further yield-enhancing genetic improvements in wheat—such as achieved a few years ago from the so-called "Green Revolution—as well as in rice, millets, grain sorghum, and other foodgrains.

Research in these areas is underway through organizations such as ICAISAT—an international institution for development of crops in semiarid tropical zones. The problem with such research, said Johnson, is transmitting the technology to small farms of India—farms averaging about 2 hectares in size and operated by 70 million farmers, most often producing for their own consumption only. □

"The Government would like to reduce stocks to around 10-12 million tons, and has withdrawn from the grain import market for at least this year and quite likely next year as well."

West German Exports Of Poultry Expanding

By Turner L. Oyloe

The West German poultry industry is hatching its third consecutive year of expansion in 1977, boosted by increased sales to the Middle East and Eastern Europe. While production and exports are both up, domestic consumption, however, continues to stagnate.

West Germany, a country that imports over 45 percent of its poultry needs, is seeing its poultry industry grow and exports increase. Supported by substantial European Community (EC) subsidies, Germany is stepping up efforts to expand broiler sales to third countries, especially in the Middle East and Eastern Europe.

This, plus increasing subsidized poultry exports by other EC members, will provide stiffer competition for U.S. poultry exports to third-country markets.

While production and exports are rising, West German poultry consumption continues to stagnate. Thus, poultry meat imports—including those from the United States—are expected to decline in 1977.

Last year, U.S. exports of poultry and products to West Germany totaled \$18.7 million, up from \$16.3 million in 1975 when West Germany was the third largest market for U.S. poultry exports. In 1976, despite these larger takings, it slipped to fifth place as U.S.

poultry exports to other markets grew even more rapidly.

West Germany's increasing exports of subsidized poultry meat, while small when compared with imports, may reach or even exceed 30,000 tons this year. If realized, this would be a rise of about 150 percent in just 2 years. In 1975, poultry exports totaled 12,900 tons, then they almost doubled last year to about 20,000 tons. Broiler exports in 1977, like those of last year, should again comprise the bulk of these shipments, with Iran and Saudi Arabia again being the major markets.

This year, German turkey production is forecast to expand at a faster rate than that of broilers. Also, egg production—after hitting the low point of the usual 3-year production cycle in 1976—is predicted to increase about 4 percent to almost 15 billion eggs.

In the face of continued competition from plentiful supplies of beef and pork, West Germany's 1977 poultry meat consumption is expected to increase only slightly to about 9.1 kilograms per capita. Turkey meat consumption, however, should rise more significantly.

German broilers are moving into export with the benefit of an EC export subsidy of approximately 20 U.S. cents per kilogram. The German domestic wholesale prices in early July ranged from \$1.34 to \$1.52 per kilogram with retail prices ranging from \$1.68 to \$2.13 per kilogram, depending on weight.

German broilers reportedly were being delivered to the Middle East in May at about \$1,200 per metric ton.

The German poultry industry will mark its third straight year of expansion in 1977. Production jumped 9.6 percent to 304,000 metric tons in 1976. Broiler output this year may reach 220,000 tons, an increase of almost 6 percent over that of 1976.

Turkey production is expected to increase about 8 percent to 25,000 tons in 1977. Last year, the German turkey industry converted heavily to marketing of nonfrozen turkey parts and numerous turkey meat products.

The rise in turkey output in 1976 resulted chiefly from high, stable prices. Also, the turkey industry has moved almost completely to year-round production of heavy turkeys for cutting and processing.

Now, reportedly almost 60 percent of Germany's turkey output is marketed nonfrozen, primarily as turkey parts. An additional 25 percent goes to market in further processed forms.

Turkey slaughter plants are making great efforts to market nonfrozen products to benefit from the price advantage generally enjoyed over frozen.

To avoid the lower price for frozen items, frozen turkey products are only produced in an oversupply situation in order to withhold excess quantities of non-

frozen products from the market. As the market situation improves, these frozen turkey items are then sold as special offers—in competition with U.S. turkey products—in supermarkets and food sections of department stores.

Poultry meat prices fluctuated only moderately in 1976, covering production costs and allowing reasonable profits for efficient farmers and processors.

With production up and consumption static, West Germany's broiler imports are expected to decline slightly in 1977. Total poultry meat imports last year fell 5.5 percent to 275,600 tons.

Last year, the EC accounted for 83 percent of West Germany's poultry meat imports; the United States only 4 percent.

West Germany's broiler imports from the EC are greatly influenced by demand developments in third-country markets, particularly in the Mideast and Eastern Europe.

If EC members had been unable to substantially expand exports to third countries in 1976 broiler prices would probably have dropped significantly. For West Germany, this would have meant a repeat of the fierce price competition that occurred in 1970-73.

In 1977, total U.S. exports of poultry meat to West Germany are forecast to decline by about one-third, and will probably not exceed 5,000 tons.

The outlook for U.S. shipments of frozen uncooked turkey meat to this market hinges almost entirely on the level of the supplemental levies. These levies are reviewed, and often adjusted, monthly. Sizable imports of U.S. uncooked frozen turkey meat in 1977 are likely to be limited to turkey drumsticks.

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However, U.S. exports of cooked processed poultry meat (bound under General Agreement on Tariffs and Trade at 17 percent ad valorem) to the German market this year are projected to surpass 2,000 tons—an increase of between 20 and 30 percent.

The slight 1976 rise to 11,200 tons of total U.S. poultry meat exports to West Germany resulted largely from the 34-percent gain in poultry shipments during the year's first half.

Most of this increase, however, came from the 900 tons of heavy turkeys reportedly imported to overcome a temporary shortage in Germany's production. These imports dropped drastically when domestically grown heavy turkeys became available.

Also, imports of U.S. turkey drumsticks rose 27 percent during the first 6 months of 1976 to meet consumer demand not filled by EC production.

Only imports of U.S. liver, mainly turkey, and processed cooked turkey items registered the expected continuous gains throughout the year. □



Left and below: West German poultry operations. Production and exports of poultry meat are on the upswing in West Germany where 1977 will mark the third consecutive year of expansion.

West German Poultry Sector Eyes Mideast

The Middle East is becoming an increasingly important market to West Germany's poultry sector—for both subsidized poultry exports and investments. Recently, a West German company received a contract to construct a fully air-conditioned production center for eggs and poultry meat in the United Arab Emirates. Plans call for the center to produce 15 million eggs and 2.25 million broilers per year.

In addition to the buildings, the West German firm will supply the parent stock and provide technical assistance. This same firm reportedly has recently completed or is currently constructing similar production centers in Iraq, Iran, Libya, Syria, Algeria, Saudi Arabia, and Sudan.

Last year, shipments of broilers and stewers—from the European Community (EC), including the West German product—to the Middle East were a major factor in stabilizing broiler meat markets in the EC and, particularly in West Germany. This situation, likely to continue this year, will probably permit another expansion in broiler production—without a major price decline—in West Germany and some

other EC countries. However, to prevent the domestic price decline, the subsidization of broilers into export will have to continue—and at an increasing total cost.

Although West Germany is by far the world's largest poultry meat importer (276,000 metric tons in 1976), it is rapidly increasing its subsidized poultry meat exports. West Germany is forced to subsidize its broilers into export because other EC member countries can place product on the German market at lower prices. These exports may reach 30,000 tons this year, compared with just 12,900 in 1975. In 1976, West Germany's production of 304,000 tons supplied slightly over half of the country's total consumption of about 560,000 tons.

The Central Price Reporting Agency of German Agriculture (ZMP) estimates total 1977 poultry meat imports from all sources by Saudi Arabia, Egypt, Iran, Kuwait, the United Arab Emirates, Oman, Qatar, and Syria will probably double this year, totaling about 300,000 tons—despite expected large production increases in these countries. □

Managing Dairy Surpluses—The Scandinavian Way

By Abraham Avidor

Encouraged by high producer milk prices and climates and terrains that favor dairying over other agricultural enterprises, Norway and Finland are producing more dairy products than they can consume domestically and often must dispose of surpluses with the aid of subsidies. And Sweden, though only about self-sufficient in milk output, often incurs surpluses of butter and nonfat dry milk alongside cheese shortages.

The dairy industries of Norway, Sweden, and Finland face an economic dilemma common to much of Western Europe: how to produce enough without overproducing and how to maintain acceptable incomes within the tolerable limits of government expenditure.

This dilemma is reflected in a delicate tradeoff in pricing policy. On the farm level, the existence of many small producers—a structural handicap—requires that milk prices be relatively high to support adequate incomes. Yet, the high milk prices require price supports, encourage overproduction, and necessitate government financing of dairy exports produced at domestic prices above the world market.

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Despite carefully used incentives and disincentives to help align production with demand, the Nordic countries have not avoided the dairy surpluses that plague nearby countries in the European Community. Currently, Norway and Finland both are producing more milk than they can consume and putting the excess largely into cheese for export to foreign markets, especially the United States. And Sweden, although mathematically about self-sufficient in milk production, often must dispose of surplus butter and nonfat dry milk.

Because Scandinavian dairy exports are aided by government subsidies, cheeses entering the United States—their largest foreign market—faced countervailing duty action from this country last year. The three countries also have disposal problems elsewhere, since

the world market for dairy products is about saturated and no self-supplying country wants to absorb the dairy surpluses of another.

Reflecting an adaption to similar environmental conditions, dairy farming has developed in much the same way in Norway, Sweden, and Finland. Today, all three countries have efficient, highly regulated, and cooperatively led dairy industries that share the following features:

- Dairy farms—mostly diversified and family owned—tend to be small, with the average number of cows per farm ranging from seven in Finland to 13 in Sweden, compared with an average of nearly 34 in Wisconsin (the largest U.S. milk producing State). Tight profit margins and the retirement of elderly farmers, however, have resulted in a trend toward fewer, larger, and more efficient dairy farms.

- More than one-third of Scandinavian farmers keep cows for milk. These herds earn over one-third of farm income in Norway and Sweden and more than two-fifths in Finland. Much of this income is obtained, however, from nonmarket sources—principally various government support and stabilization schemes intended to help farmers realize target incomes while providing consumers with reasonably priced products.

- Policy objectives aim at providing dairy farmers with incomes comparable to those of the industrial sector, maintaining self-sufficiency in dairy production, and promoting structural rationalization of the industry through a more efficient use of resources.

- Scandinavian producer prices for milk are considerably higher than in the United States; these higher prices are offset by smaller

output per farm and higher per-cow production costs.

- Dairy industries are highly regulated and egalitarian. Equalization systems attempt to provide all producers with the same returns for milk regardless of the milk's end use. Supplemental direct-income subsidies are paid to compensate producers for adverse regional, seasonal, and size factors. Dairy prices are fixed periodically in each country by agreements among the government, producers, and consumers.

- Collection, processing, and distribution of milk and dairy products are almost entirely handled by cooperatives that are owned and managed by farmer members.

- Dairy trade in Norway and Finland in recent years has consisted of only a few imports (limited by quotas) but considerable exports of cheese. (The United States is the largest export market for Finland's Swiss cheese and Norway's Jarlsberg cheese.) Finland also has been a major exporter of butter and whole milk powder. Sweden, on the other hand, is a net importer of cheese but at times exports surpluses of nonfat dry milk and butter.

Norway. Since 1964, milk production in Norway has risen 14 percent to reach 1.9 million metric tons in 1976. Most of this gain, however, was recorded prior to 1972, with output holding about steady since then.

Still, the country today is around 110 percent self-sufficient in milk and must export about a third of its leading dairy product—cheese. Last year, Norway exported 20,500 tons of cheese worth \$38 million, compared with 19,000 tons in 1972 and only 12,000 in 1964. And the value of such shipments last year rose a third above that of 1975,



Dairying scenes in Finland, clockwise from top left: Stocks of Finnish Emmenthal cheese at Vaarala near Helsinki; packing line for Finnish processed cheese; and dairy cows on pasture in eastern Finland. As in other Nordic countries, dairying is the leading agricultural industry in Finland, accounting for over two-fifths of total farm income. But high milk production levels have created dairy surplus disposal problems for Finland, and Norway as well.



partly as a result of higher unit prices.

The United States is the largest market for Norway's cheese exports, taking over 50 percent of the total value last year. Jarlsberg, a native Emmenthaler type, has found a growing market in the United States and in 1976 comprised about 90 percent of total U.S. cheese imports from Norway (8,487 tons, valued at \$22.1 million).

Because of Government subsidies, Norway last year faced U.S. countervailing duty action against its cheese exports. As a result, Norway eliminated its ex-

port subsidy on Jarlsberg shipments to the United States to avoid the countervailing duty action. It also agreed in mid-1976 not to increase shipments of other cheeses beyond historic levels. Consequently, Norway was granted a temporary waiver of countervailing duties on cheeses other than Jarlsberg.

To keep its production of dairy products at tenable levels, Norway has become deeply involved in regulating and subsidizing its domestic dairy industry. Its current package of incentives and disincentives includes:

- A general Government

price supplement that varies slightly according to the time of the year in which the milk is produced, a consumer subsidy on dairy products, and subsidies to finance exports of dairy products at world prices;

- Direct payments that include a regional subsidy and a freight subsidy;

- Increasingly graduated premiums for milk production cutbacks of up to 4 percent from the 1976 level;

- Compulsory purchases by farmers of butter, skim milk, nonfat dry milk, and whey powder.

Even greater Government control potentially could

come from the production quotas now being considered—a response to the anticipated 3 percent gain in milk output this year and looming surplus disposal problems. However, in view of the strong resistance from industry groups, such quotas will be difficult to implement.

Consumers, in the meantime, seem to be shifting away from heavy consumption of high-fat products such as butter and whole milk toward increased use of margarine, skim milk, and cheese. This shift is likely to limit domestic sales expansion at a time when

"On the farm level, the existence of many small producers—a structural handicap—requires that milk prices be relatively high to support adequate incomes. Yet, the high milk prices require price supports, encourage overproduction, and necessitate government financing of dairy exports produced at domestic prices above the world market."

similar consumption trends and increasing milk outputs beyond population growth rates are limiting export opportunities in potential foreign markets.

Finland. Although milk production in Finland has declined since 1964—from 3.8 million tons to 3.3 million last year—it gained nearly 4 percent during 1976 as higher milk prices and high-quality feed crops boosted milk yields. The country now produces about one-fourth more milk than it can consume and puts that excess into cheese, butter, and whole milk powder for export.

Reflecting the growing disparity between production and domestic use, exports of butter and cheese last year surged nearly 50 percent. The Soviet Union was the main market for butter and milk powder exports as a result of a 5-year agreement to take annually about 22,000 tons of whole milk powder, 5,000 tons of butter, and 2,000 tons of cheese.

The United States, the largest market for cheese, bought about one-third (9,942 tons, valued at \$19.4 million) of Finland's total 1976 cheese exports.

As with Norway, the United States last year granted Finland a temporary waiver from a countervailing duty after Finland agreed to reduce substantially the adverse effects of its cheese export subsidies.

Although Finland's consumers rank among the world's highest per capita users of whole milk and butter, the trend in food consumption recently has been toward decreased use of dairy products, so Finnish producers cannot count on domestic consumers to bail them out in heavy-surplus periods.

Reflecting the increased milk production, dairy

stocks remained rather high in 1976 and at yearend included 7,000 tons of butter and 10,000 tons of cheese.

To keep supply and demand more in balance, the Government has stiffened production control measures, which may result in a 2 percent decline in milk output during 1977. These measures include:

- A producer marketing fee that varies according to region and can be used to finance exports of surplus production. In 1977, proceeds from this fee will pay for exports of all production above 130 percent of domestic needs.

- A short-term soil bank program that each year takes 150,000 hectares out of cultivation.

- A long-term fallow program that takes about 20,000 hectares annually out of production.

Sweden. Milk production in Sweden has declined over the long term, sinking from 3.6 million tons in 1964 to 3.2 million in 1976. But it has risen nearly 400,000 tons in the 1970's and recorded a 2.5 percent gain last year.

Milk production supposedly is only at the self-sufficiency level, but when this is converted into dairy products the country ends up with a 20 percent overproduction of butter and its byproduct, nonfat dry milk, and a 15 percent deficit in cheese.

As a result, Sweden in 1976 imported 17,500 tons of cheese, largely from Denmark, and exported 30,700 tons of nonfat dry milk, 9,000 tons of butter, and 7,500 tons of whey powder. The small amounts of cheese that are exported go largely to the United States.

Domestic dairy product prices (excluding butter) have been subsidized by the Swedish Government and kept partially frozen since

1973. However, the new Swedish Government may let consumers pay a higher share of the dairy cost increases that result from producer income compensation and thus decrease the proportion of subsidies in future dairy prices.

No significant measures to control milk production are currently being undertaken in Sweden, and output in 1977 will likely remain unchanged as higher yields per cow (approaching 4,900 kg per year) will about offset the annual exodus of dairy farmers (currently over 50,000) and their cows from the industry.

Producer dairy prices in Sweden are fixed by negotiations between the Government (represented by the National Agricultural Market Board) and a farmers' delegation. These prices are revised twice a year on the basis of increases in production costs and developments in the international market.

The price regulation system provides for price limits (an upper one protecting consumers and a lower one protecting producers) and for import levies that are unchanged as long as domestic wholesale prices remain within a fixed range.

An Equalization Fund is used to stabilize producer prices and ensure that milk producers receive the same returns regardless of how their milk is used. The equalization premium is distributed to dairies, based on the volume of milk delivered by producers. Payments from the Fund also assist exports, aid production of butteroil, provide quality premiums for cheese, and help finance storage of surplus dairy products.

The Equalization Fund is financed primarily by import levies, production and sales fees, and a consumer subsidy from the State. □

U.S. Farm Exports to India

\$100 million a month and to spark increased imports, including purchases of higher priced farm products such as almonds and dried fruits.

This year, India's trade showing looks especially good, since the country is expected to have imports and exports about in balance again following trade equalization for the first time in 1976. Total exports are forecast to reach \$5.5 billion in 1977—up from \$5.0 billion in 1976 and only \$2.9 billion in 1973. Total imports, on the other hand, are seen remaining near the \$4.95 billion recorded in 1976 but below the peak of \$6.1 billion in 1975.

Financial inflows from the World Bank and other international financial sources are expected to reach \$1 billion in 1977 but repayments on previous loans will exceed \$500 million.

The country's agricultural trade likewise will be about in balance this year, as will its total trade with the United States.

Total agricultural imports by India in 1977 are expected to approach 1.5 billion, compared with the peak \$1.75 billion in 1975, when wheat imports hit a record \$1.4 billion. Wheat imports declined from 7.2 million tons in 1975 to 5.8 million valued at \$846 million in 1976, and a precipitous drop to less than 600,000 tons is expected in 1977.

Yet the value of imported cotton and vegetable oil will skyrocket this year to about

\$1 billion from around \$200 million in 1976 and only \$57 million in 1975. Total imports of wool, raisins, dates, tallow, and dairy products also will rise markedly.

India's agricultural exports in 1977 should approach \$1.7 billion, continuing their strong showing of the recent past: they shot from \$780 million in 1972 to \$1.58 billion in 1975 and then edged up to \$1.64 billion in 1976. Sugar exports during that period rose from \$17 million in 1972 to a peak of \$563 million in 1975, but they then declined about 50 percent in value last year as a result of a 25 percent reduction in quantity exported plus a sharp decline in world prices. Partially offsetting that setback, combined exports of tea and coffee nearly doubled in value between 1972 and 1976 to reach \$475 million.

Total Indian exports to the United States in 1977 are expected to approach \$1 billion—a new record—with higher values for jute products, coffee, tea, jewels, shrimp, and cotton textiles. Agricultural products may account for about \$200 million of these exports, compared with \$191 million in 1976 and only \$92 million in 1972.

Imports from this country also may be around \$1 billion, as India achieves a balanced trade with the United States for the first time in history. In contrast, U.S. exports to India in 1967 were three times the value of U.S. imports from India, and in 1975 the ratio was still 2 to 1.

The dramatic narrowing of the trade gap began in 1976. U.S. exports to India that year declined from \$1,290 million in the previous year to \$1,135 million, while value of U.S. imports from India rose from \$621 million to \$801 million. □

Grain Crop Dips in Iran, Iraq, and Syria

With harvests nearly completed in Iran, Iraq, and Syria, it appears certain that 1977 grain production in these countries will be significantly lower than that of 1976, as poor weather during most of the crop cycle has taken a more serious toll than previously reported.

Wheat production in these three countries is now expected to total 7.6 million metric tons—down 16 percent from the 9.1 million tons harvested in 1976.

To cover this production shortfall and to meet the increased consumption requirements of growing and more affluent populations, imports in the 1977/78 season are expected to be in excess of 3.5 million tons—more than double the 1.7 million tons imported in 1976/77.

Coarse grain production in these countries will also be down. With the exception of Syria, where the barley crop was almost wiped out (1977 production is projected at 150,000 tons, compared with over 1 million tons in 1976), the losses in coarse grain output were not as severe as for wheat.

To satisfy the needs of the rapidly expanding poultry industry and—to a lesser extent—the sheep and dairy sectors, imports of feedgrains in the 1977/78 season are expected to exceed 1 million tons, of which Iran will account for some 900,000 tons.

Governments in all three countries are encouraging greater production of corn, primarily through high guar-

anteed purchase prices. In Iran, this price for the 1977 crop year was set at \$170 per ton—the same as for wheat.

However, agricultural experts in these countries feel that it will be quite some time—if ever—before these countries become self-sufficient in coarse grain production for livestock feeding. □

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Six Fall Events End '77 FAS Promotions

FAS will close its 1977 overseas sales promotion season with events in six countries in Europe, Africa, and the Far East in September, October, and November.

An exhibit featuring fruits, vegetables, nuts, and wines was held in Tokyo, September 7-9; a catalog show was held in conjunction with Cologne's ANUGA food show, September 10-15; and U.S. solo, trade only, food shows are scheduled for Amsterdam, September 27-29, Brussels, October 4-6, and Abidjan, October 26-27. The sixth event will be a food industry trade-team visit to Lagos, November 2-3.

Twenty-one exhibitors participated in the Tokyo show, which drew to the U.S. Trade Center 1,200-1,500 Japanese importers, wholesalers, and retailers.

Although Japan bought \$183 million worth of consumer-ready U.S. fruits, vegetables, nuts, and wines in 1976, as part of overall food purchases of \$3.56 billion,

the United States faces sharp competition in its effort to increase sales to the Japanese market. However, working to the advantage of U.S. suppliers is the recognition by the Japanese trade of the high quality and dependability of U.S. products.

Cologne's ANUGA exhibit is West Germany's largest show and is recognized as one of the world's leading trade-only food events. Held in Cologne every other year, ANUGA—with its trade-only format—offers to participating firms the assurance that their products will be exhibited solely to that segment of the economy most likely to buy. Although 1976 sales of U.S. consumer items to Germany were \$123.2 million—an alltime high—continual exposure is required to push farm product sales to still higher levels.

Among the products having greatest sales potential in Germany—and in many other countries where USDA exhibits are held—are poul-

try and poultry products, nuts, citrus fruits and juices, canned, preserved, and frozen fruits and vegetables, dietary foods, and frozen seafoods and bakery products.

In 1975, attendance at the ANUGA show was 122,211 persons—about 16,000 from countries other than Germany—and most of these visitors went through the U.S. exhibit. Similarly large crowds visited ANUGA and the U.S. booth in September 1977.

The Crest Hotel is the site of the U.S. solo food show to be held in Amsterdam. U.S. firms at this show and the others will exhibit a number of items new to the food market. As Netherlands's second largest port, Amsterdam sees many of the world's leading exporters vying for a larger share of the market. Hence, every exposure of U.S. food products in that country is valuable.

In 1976, the United States exported \$1.9 billion (including transshipments) of agricultural products to the Netherlands, including \$94.1 million worth of consumer food products. Trade in the consumer food line

has shown excellent growth since 1970, when the value of shipments to the Netherlands was just \$33 million.

In 1976, U.S. meat and meat product exports to the Netherlands were \$16.4 million; offal exports, \$16.8 million; nuts, \$6.7 million; and preserved fruit products, fresh citrus, and fruit and vegetable juices, \$29.0 million.

The U.S. solo food show in Brussels is scheduled for the Hyatt Regency Brussels Hotel. Some 40 firms are planning to participate.

In 1976, U.S. farm exports to Belgium/Luxembourg were \$516 million, with consumer product sales to Belgium totaling a record \$59 million.

Close to 15 U.S. exhibitors are expected to participate in the Abidjan event, which will be held at the Hotel Ivoire. Most of the Abidjan exhibitors will be included in the sales team going to Lagos.

Farm product sales to the Ivory Coast in 1976 were \$2.2 million, consumer sales were \$354,000. Agricultural exports to Nigeria that year totaled just over \$150 million and consumer product sales, \$6.9 million. □